



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

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TO: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES - KING/DREW MEDICAL
CENTER AUDIT RECOMMENDATION FOLLOW-UP REVIEW**

On January 11, 2005, your Board directed the Auditor-Controller (A-C) to review the status of recommendations from all A-C audits of King/Drew Medical Center (KDMC) issued over the last ten years and report back on any recommendations which have not been fully implemented.

We reviewed the status of recommendations from seven audit reports with a total of 89 recommendations issued over the last ten years. These reports and recommendations addressed areas such as pharmacy, fixed assets, vendor payments, payroll and the Drew University affiliation agreement. Our review included interviewing Department of Health Services (DHS) and KDMC management and staff, reviewing documentation related to the recommendations and, in some cases, performing limited testwork.

Status of Recommendations

Prior recommendation follow-up reviews indicated that KDMC had previously implemented 32 of the 89 recommendations. Our current review of the remaining 57 recommendations disclosed that 29 of the recommendations have been fully implemented. Twenty seven of the recommendations have been partially implemented and one recommendation has not been implemented. The one recommendation that has not been implemented is from our July 7, 1999 payroll audit and dealt with monitoring to ensure only eligible employees receive payroll bonuses.

It should be noted that, in some cases where we did not have time to perform additional testwork to verify full compliance with the recommendations, we considered the recommendations to be partially implemented. Therefore, it is possible that some of the

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recommendations we reported as partially implemented may actually be fully implemented.

Our review focused on reports and recommendations where the need to take corrective action was addressed to KDMC. We excluded reports and recommendations that were addressed to DHS Administration (e.g., a recommendation for DHS to develop standardized procedures to be used at all DHS hospitals, etc.). It should also be noted that most of our prior reports and recommendations dealt with areas that were not addressed in the recent report on areas requiring corrective action by Navigant Consulting.

Attachment I is a summary of the reports and the status of the recommendations. Attachment II is a detailed listing of the partially implemented and not implemented recommendations.

Review of Report

We discussed our report with DHS management and Navigant Consulting. DHS has indicated that they recognize the need for improvement and that they will continue to work toward implementing all applicable recommendations.

We thank DHS and KDMC management and staff for their cooperation and assistance during our review. If you have any questions, please call me or have your staff contact Jim Schneiderman at (626) 293-1103.

JTM:MMO:JS

Attachments

c: David E. Janssen, Chief Administrative Officer
Thomas Garthwaite, M.D., Director and Chief Medical Officer, Department of Health Services
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**KDMC Related Reports
January 1995 - January 2005
Audit Reports and Recommendations**

Report	Report Title	Date	Total Recommendations Related to KDMC	Recommendations Implemented Prior to Review	Outstanding Recommendations Reviewed	Total Implemented Recommendations	Total PI Recommendations	Total NI Recommendations
1	DHS Outpatient Workload Accounting Procedures	03/31/95	4	0	4	4	0	0
2	Outpatient Pharmacy Inventory	03/29/96	8	0	8	7	1	0
3	Fixed Asset Systems Review	04/30/98	6	0	6	6	0	0
4	Review of PFS Operations	06/04/98	14	0	14	8	6	0
5	CAPS On-Line Vendor Payment Review	08/20/98	12	0	12	3	9	0
6	CWTAPPS Review	07/07/99	39	32	7	0	6	1
7	Drew University Affiliation Agreement	08/17/04	6	0	6	1	5	0
			89	32	57	29	27	1

PI - Partially Implemented

NI - Not Implemented

**KDMC Related Reports
January 1995 - January 2005
Audit Recommendation Status and Summary**

<u>Report 2: Outpatient Pharmacy Inventory (03/29/1996) - Total Outstanding: 1</u>	<u>Recommendation Status</u>
Recommendation 3: KDMC Pharmacy management ensure receipt of stock is recorded in the computer system timely.	PI
<u>Report 4: Review of PFS Operations (06/04/1998) - Total Outstanding: 6</u>	<u>Recommendation Status</u>
Recommendation 1: KDMC Revenue Management ensure Medi-Cal Disability applications are submitted to the State Disability Office within 10 days of the application date.	PI
Recommendation 4: KDMC Revenue Management work with Medical Records to ensure medical records are requested and copied promptly.	PI
Recommendation 5: KDMC Revenue Management ensure medical records are picked up from Medical Records and submitted to the State timely (e.g., within 2 days).	PI
Recommendation 6: KDMC Revenue Management obtain the State Listing Book for PFS to use in determining which medical records to request.	PI
Recommendation 9: KDMC Revenue Management ensure carrier codes are updated timely.	PI
Recommendation 11: KDMC Revenue Management ensure PFSWs are assigned cases and interview patients timely.	PI

<u>Report 5: CAPS On-Line Vendor Payment Review (08/20/1998) - Total Outstanding: 9</u>		<u>Recommendation Status</u>
Recommendation 1:	King/Drew management ensure payments are made to vendors within 30 calendar days, as required by CFM Section 4.3.8.	PI
Recommendation 2:	King/Drew management ensure that, unless justified, vendor payments are not made earlier than 30 calendar days from the date of receipt of the goods/services or invoice.	PI
Recommendation 3:	King/Drew management ensure invoices are marked paid after the last CAPS on-line approval is applied.	PI
Recommendation 4:	King/Drew management establish accruals based on actual liabilities or reasonable estimates of amounts due for goods/services received.	PI
Recommendation 5:	King/Drew management ensure their petty cash fund is used in accordance with County guidelines.	PI
Recommendation 8:	King/Drew management ensure the check signer is responsible for distributing checks to vendors/employees.	PI
Recommendation 9:	King/Drew management assign responsibility for reconciling the petty cash fund to the accounting office.	PI
Recommendation 10:	King/Drew management ensure items in the suspense file are cleared in a timely manner.	PI
Recommendation 11:	King/Drew management ensure the miscellaneous vendor code is used in accordance with County guidelines.	PI

<u>Report 6: CWTAPPS Review (07/07/1999) - Total Outstanding: 7</u>		<u>Recommendation Status</u>
Recommendation 9:	KDMC management ensure staff who have no other payroll responsibilities trace terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination.	PI
Recommendation 13:	KDMC management ensure a payroll distribution payoff is conducted at least once a year by employees with no other payroll or personnel responsibilities.	PI
Recommendation 22:	KDMC management ensure overtime is pre-approved within 24 hours in cases of emergency and proper authorization procedures are followed.	PI

Recommendation 24:	KDMC management ensure bonuses are processed within the Auditor-Controller deadlines.	PI
Recommendation 25:	KDMC management conduct an annual review to ensure employees receiving bonuses are eligible.	NI
Recommendation 26:	KDMC management ensure payroll clerks verify employees have Industrial Accident (IA) earnings during the entire compensability period.	PI
Recommendation 31:	KDMC management ensure the Payroll Manager and/or Supervisor review the required CWTAPPS reports each pay period and make appropriate corrections.	PI

Report 7: Drew University Affiliation Agreement (08/17/2004) - Total Outstanding: 5 **Recommendation Status**

Recommendation 4:	DHS management ensure that KDMC exchanges the physician salary/stipend information with Drew at least annually, and that the salary information distinguishes between agreement and non-agreement related earnings.	PI
Recommendation 6:	KDMC management monitor the number of residents enrolled in each training program, and ensure that the payments to Drew are appropriate based on the number of residents.	PI
Recommendation 7:	KDMC management determine the number of residents enrolled in the training programs in the past, evaluate the prior payments to Drew, and seek reimbursement if appropriate.	PI
Recommendation 10:	KDMC monitor for compliance with the agreement clinical service staffing requirements.	PI
Recommendation 11:	KDMC and DHS ensure that any significant variances in clinical service staffing are agreed upon by both parties in writing as formal agreement amendments.	PI

Recommendation Summary

Total Outstanding Recommendations:	28
Partially Implemented (PI) Recommendations:	27
Not Implemented (NI) Recommendations:	1